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U.S. TOBACCO EXPORTS IN 1977 HIT RECORD VALUE OF $1.7 BILLION

Despite the east coast dock strike that distorted the normal trade flow during the last quarter of the year, U.S. tobacco exports climbed to a record $1.7 billion in calendar 1977; volume was down slightly. Exports of unmanufactured tobacco rose 9 percent to $1.1 billion and products increased 19 percent to $637 million. Likewise, duty-paid imports of leaf and products into the United States were up 18 percent to $373 million. Thus, tobacco's contribution to the U.S. net balance of trade in 1977 was a new high of $1.36 billion.

Export Summary

December leaf shipments totaled a record 46,432 tons, pushing the total for calendar 1977 to 285,117 tons. Leading export destinations in 1977 were the European Community (EC) 106,981 tons (little change from 1976), Japan 61,249 (up 20 percent), Switzerland 13,045 (up 9 percent), Egypt 12,119 (up 240 percent) and the Republic of China (Taiwan) 9,364 tons (up 68 percent). These countries accounted for about 70 percent of U.S. exports of unmanufactured tobacco in 1977.

Among EC member markets, shipments to the United Kingdom declined 35 percent to 21,242 tons, with value falling 24 percent to $82.3 million, as British cigarette manufacturers continue to draw down stocks of U.S. leaf and substitute cheaper tobaccos. However, larger exports to West Germany, Italy, Denmark, Netherlands, and Belgium-Luxembourg brought the EC total to the previous year's level.

Exports by Type and Market

Flue-cured exports during the calendar year rose 8 percent to 186,000 tons and 19 percent in value to $834 million. Leading destinations were the EC with 68,216 tons, $275 million; and Japan 42,558 tons, $239 million. The value of U.S. exports of flue-cured tobacco to the EC rose 8 percent and to Japan 21 percent.

Burley exports also increased 17 percent in volume to 35,876 tons and 23 percent in value to $151.7 million. The unit value of burley rose to a new high of $4.22 per kilogram. The EC was the primary market area for U.S. burley, purchasing 15,833 tons (up 12 percent over 1976). Value at $58.2 million was also up 16 percent. West Germany and Italy together accounted for 13,786 tons (87 percent) of the total U.S. sales to the EC. Other major export destinations in 1977 were Japan 3,770 tons, Switzerland 2,913 tons, Philippines 2,463 tons, Egypt 1,547 tons, and Korea 1,499 tons.

Dark fire-cured Kentucky and Tennessee tobacco exports were up 17 percent to 8,662 tons. Value rose 48 percent to $31.7 million. The average price per kilogram increased from $2.89 to $3.65. More than eight-tenths of these tobacco exports went to the EC, with shipments totaling 7,127 tons (up 24 percent) and $26.5 million (up 59 percent). The major market continues to be the Netherlands with 5,342 tons in 1977.

Maryland leaf exports fell 8 percent after doubling in 1976. They dropped from 3,783 tons to 3,473 tons. Value of exports, however, increased 6 percent to $14.1 million. The EC and Switzerland, traditional market areas, took the bulk of exports.

Virginia fire- and sun-cured exports rose sharply. They increased 79 percent in volume from 1,335 tons to 2,384 tons and 82 percent in value from $4.4 million to $8 million. Marketings to the EC totaled 976 tons, followed by Norway with 583 tons, Switzerland with 356 tons and Egypt with 244.

Cigar leaf exports rose 2 percent, but dropped 10 percent in value. A total of 2,060 tons was valued at $21.9 million. Chief markets were the Dominican Republic with 949 tons and the EC with 746 tons.

Stem and scrap exports continued to rise. They increased 4 percent in volume, but declined 3 percent in value to $26.2 million.

Reexports of foreign-grown leaf increased 23 percent. Shipments of 5,013 tons rose 18 percent to $15.3 million. Approximately one-half of total foreign-grown exports went to the EC, with the United

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Kingdom accounting for 1,899 tons. Most of the remaining reexport volume consisted of shipments of 637 tons to the Dominican Republic, 427 tons to Canada, and 233 tons to Czechoslovakia.

Exports of Manufactured Tobacco

Cigarette exports continued a strong uptrend and accounted for 97 percent of the total value of product exports in 1977. The quantity and value of cigarette exports at 66.8 billion pieces and $614.9 million were both at alltime highs.

Belgium-Luxembourg, the leading export market for U.S. cigarettes, declined 4 percent in 1977 to 11.6 billion pieces. Total exports to the EC slipped 4 percent to 15.8 billion pieces, but value increased 8 percent to $148.3 million.

Other major cigarette export markets in 1977 were Iran with 8.2 billion pieces, Hong Kong 5.6 billion, Spain 4.3 billion, Netherlands Antilles 4.1 billion, Saudi Arabia 3.5 billion, and Japan 3.3 billion.

Cigar and cheroot exports declined 6 percent in volume and 3 percent in value. The United Kingdom and the Netherlands took 7.2 million and 5 million pieces, respectively, to account for the bulk of the 25.2 million pieces sold to the EC. Shipments to the EC declined 17 percent in volume and 4 percent in value with both the Netherlands and the Federal Republic of Germany responsible for much of the decrease.

Bulk smoking tobacco exports fell for the third consecutive year, decreasing 29 percent in volume to 4,459 tons and 22 percent in value to $14.7 million. Iran, the Canary Islands, West Germany, and Ecuador were the principal markets for bulk exports in 1977.

Export Outlook

U.S. exports of unmanufactured tobacco in 1978 are expected to slip somewhat, compared with the relatively high level of 1977. They may be in the range of 255,000 to 265,000 tons. The short, weather-damaged 1977 flue-cured crop reduced the availability of quality leaf for export and, notwithstanding the weakness of the dollar relative to major foreign currencies, overseas buyers are expected to continue to resist paying the increasingly higher prices for U.S. tobacco.

Moreover, the effect of higher taxation, stepped-up anti-smoking campaigns and the increased supplies of cheaper tobaccos from low-cost producing areas are expected to further erode the U.S. share of consumption in major European markets.

In the case of manufactured tobacco products, the marketing potential appears to be bright for 1978. Cigarette exports should continue to grow with rising incomes and the growing popularity of the American-blend type cigarettes in foreign markets. The United States apparent comparative cost advantage and efficiency in cigarette manufacture should contribute to an optimistic export year ahead.

Import Summary

U.S. imports of unmanufactured tobacco, duty-paid for consumption, increased 2 percent in volume and 21 percent in value. The total rose to 143,445 tons for a value of $326.7 million. Average per-kilogram value increased 18 percent from $1.92 to $2.27. Such a gain in import value was attributed to higher prices for oriental leaf as well as to some rise in the value of scrap tobacco.

Imports by Type and Origin

Flue-cured imports for consumption totaled 2,378 tons valued at $3.5 million. Leading suppliers were Italy and Brazil with 996 tons and 977 tons, respectively. Average import value was $1.48 per kilogram.

Burley imports were 8,378 tons worth $10.8 million. Chief suppliers were Mexico, Italy, and Korea with 3,226 tons, 2,453 tons and 1,937 tons, respectively. Average import value was $1.28 per kilogram.

Imports of other cigarette leaf (mostly oriental) decreased 2 percent to 77,292 tons. However, import value rose 21 percent. Average per-kilogram import prices increased to $2.80 compared to $2.26 in 1976.

Turkey remained the principal supplier with 39,661 tons (down 7 percent from 1976) valued at $115 million (up 24 percent). Other major suppliers were Italy with 7,694 tons, Bulgaria 7,538 tons, Greece 7,316 tons and Yugoslavia 6,248 tons. Bulgaria was the only major supplier whose share of the U.S. market rose in 1977.

Cigar tobacco imports (excluding scrap) dropped 30 percent in volume to 3,453 tons and 5 percent in value to $16.8 million. Average price per kilogram increased 35 percent from $3.60 in 1976 to $4.87 in 1977.

Cigar wrapper imports rose 4 percent in volume to 764 tons and 5 percent in value to $8.4 million. Nicaragua was the chief supplier followed by Cameroon and Honduras.

Cigar filler imports, on the other hand, decreased 36 percent in volume and 14 percent in value. Despite the sharp drop in volume, average value increased about 33 percent from $2.34 per kilogram in 1976 to $3.12 per kilogram in 1977. The largest suppliers of filler tobacco were Honduras, Dominican Republic, Indonesia, Mexico and Nicaragua.

Scrap tobacco imports jumped 28 percent in volume and 55 percent in value in 1977. Since